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ROBERT MACNEIL: We focus first tonight on the Walker family spy charges. Attorney General Edwin Meese said today in Dallas the FBI isn't sure there will be more arrests in the alleged spy ring. That ring has raised fears that important Navy information may have been passed to the Soviet Union.

Correspondent June Cross has filed a background report on what's known about the spy case some are calling the most serious blow to U.S. security since the Rosenberg atomic bomb secrets case 37 years ago.

JUNE CROSS: The file on the Walker spy ring reads like a novel. The principals even had their own code names: John A. Walker, retired Navy communications specialist, code name Jaws. His son, Michael Lance Walker, operations clerk aboard the aircraft carrier Nimitz, code name S. His brother, Arthur J. Walker, anti-submarine warfare specialist. Code name K. And John Walker's best friend, Jerry Alfred Whitworth, retired senior enlisted radioman, code name D.

The ring became public almost three weeks ago. That's when FBI agents trailed John Walker from his Norfolk home on his way to a rendezvous with a Soviet agent. FBI agents say they watched Walker drop a bag filled with classified material at this site. The next morning agents arrested Walker in a Ramada Hotel in suburban Maryland.

Other agents searched Walker's office. They found incriminating letters from Michael Walker, his son. Michael was a yeoman aboard the aircraft carrier Nimitz cruising in the Mediterranean. Michael was detained and returned to this country May 25th. Authorities escorting him carried a 15-pound bag of

classified documents, documents they said detailed the moves of American and Soviet ships at sea. Prosecutors say Michael Walker intended to smuggle those documents to his father.

The FBI found other letters in John Walker's office. These led to the arrest of his brother, Arthur J. Walker. During his 20-year career in the Navy, Arthur had taught anti-submarine warfare tactics in Norfolk. But for the past five years, he'd been privy to maintenance and repair records for Navy ships while working for the VSE Corporation of Virginia Beach.

With three suspects in custody, concern rose in the Pentagon over how damaging the spy ring could prove to be.

SECRETARY OF DEFENSE CASPAR WEINBERGER: The Walker case represents, I think it's fair to say, a serious loss, and it had gone on a very long time.

CROSS: Concern rose even higher this week. On Monday FBI agents in San Francisco arrested the fourth suspect, an old Navy buddy of John Walker's. Jerry Whitworth, a former radioman, retired from the Navy two years ago. He's unemployed now and living in a trailer park in Davis, California. Authorities charged him with stealing documents from the Naval Air Station in Alameda.

Then on Tuesday John Walker's ex-wife Barbara said she had tipped off the FBI as to what was going on. John Walker served 21 years in the Navy, and federal prosecutors now think he was working for the Soviets at least ten of them. That includes six years when he served on board submarines and at command centers in the Norfolk area.

Walker had a top secret clearance and access to internal Navy memos, memos which detailed plan for action in wartime. A documentary on anti-submarine warfare completed around the time he resigned the Navy gives a clue as to how important that knowledge could have been to the Soviets.

MAN: The submarine has changed from being merely one part of the armory, as it was in the Second World War, to being really the primary war-winning weapon system. And therefore where it is, how it navigates about the place, how it is detected or not detected, how it communicates with its own headquarters, and so on, have all become absolutely vital.

CROSS: Walker worked as a private eye. He had a fascination with gadgets and intrigue. That fascination, said one former associate, might explain why he turned to espionage.

MAN: He was a man wrapped up in fantasies. He loved

the intrigue. He loved the disguise. He loved the game of intrigue. And that could have been what his motivation was.

CROSS: Besides his house, Walker owned a houseboat, a single-engine airplane, and some land in the Bahamas. But in court this week the Walkers claimed they had no cash to pay lawyers, so they were assigned public defenders.

The judge hearing the case clamped a restraining order on the FBI forbidding it or the Navy from discussing anything further about the case. And on Capitol Hill, Senators Sam Nunn and William Roth proposed measures to tighten the way security clearances are given.

SENATOR SAM NUNN: We're not going to have a perfect system in a free society. But what we can do is take essential steps to make certain we do everything we can to prevent and to deter and to discourage and, when espionage is committed, to try to deal with it.

CROSS: But many people are still wondering how the Walkers were able to elude detection for so long. Assistant Attorney General Stephen Trott tried to answer that question.

STEPHEN TROTT: This is not a police state. The presumption is that people are innocent. And we don't surveil every citizen in this country all the time for everything. One of the byproducts of that, one of the prices that you pay is occasionally you're going to get a seam in that type of liberty and somebody, for money or for other reasons, will take advantage of it and become a spy.

MACNEIL: We get an assessment of what the damage may have been in this case from George Carver, a 26-year veteran of the Central Intelligence Agency, where he served as a special assistant to three CIA Directors, and Harvin -- Harland -- I'm sorry -- Ullman (?), a former captain in the Navy, who's now Director of Defense and Maritime Studies at the Georgetown University Center for Strategic and International Studies.

Gentlemen, Secretary Weinberger says -- we just heard him say it -- he thought there were very serious losses that went on over a long period of time.

Mr. Carver, how serious do you think these losses have been? Assuming these men are convicted as charged.

GEORGE CARVER: One of the problems you get in a case like this is that the precise extent of the damage is in itself a piece of intelligence that would do the Soviets a great deal of good to have, and therefore these questions have to be a little

bit fuzzed, particularly by people with official knowledge who are talking about them.

I personally feel that the risk of damage is very high, and I feel that we may have suffered a loss almost on a par with the kind of losses we suffered in the Rosenberg case right after World War II.

MACNEIL: What is it that may have been lost that makes you put such a high value on it?

CARVER: What may have been lost is an understanding of how we go about communicating with our deployed ballistic-missile submarines on patrol at sea. This is one of the most important of the three legs of the so-called triad, which are basic strategic capability. And Walker himself served as a communications officer on board a Polaris submarine. He served as a communications watch officer of Atlantic Fleet Submarine Headquarters. And it's not so much any single message that he might have compromised as it is what he could have told the Soviets, even 10, 15, 20 years ago, about the ways in which we communicated with our submarines on patrol, and even more the ways in which they communicate with their parent headquarters while they were on patrol.

MACNEIL: Mr. Ullman, do you agree, first of all, that the loss may have been very great, on a scale with the Rosenberg case?

HARLAND ULLMAN: No, I don't. I disagree, I guess fundamentally, with my close friend and colleague George Carver in three ways.

First, I think that while the loss was serious, I don't believe, in military terms, it was as crucial as some people think. And we can come back to that in a second.

I think, however, where the loss may have been more damaging than some people seem to think, first, is in the psychological damage that has been done. The country is used to the occasional Benedict Arnold, but not the family of Benedict Arnolds. And people serving in uniform and recently retired from uniform, it seems to me, are very discouraging to the public viewpoint when they're caught in these kinds of acts.

And thirdly, and perhaps most importantly, I hope this does not cause a major overreaction, in the sense that we put in place all sorts of security rules and regulations which are likely to be not very productive, but restrain and restrict our constitutional rights.

MACNEIL: Let's come back presently to what might be done to tighten security and concentrate now on the damage.

Does the -- Mr. Carver, back to you. Are the secrets that may have been lost, do they more concern the movements of U.S. submarines or the ability of the U.S. and the NATO navies to detect the presence and the whereabouts of Soviet submarines?

CARVER: Well, both come into play. The thing that concerns me the most is what the Soviets might have learned about the ways in which we communicate with our submarines and that our submarines communicate with their headquarters which would facilitate their tracking, the Soviets tracking our submarines. At the moment, we have a strategic edge in that our deployed ballistic-missile submarine force is very difficult to defect, and the Soviets can never be absolutely sure where those particular elements of our strategic arsenal are located. Finding out how we communicate with them, or vice versa, finding out, for example, the extent to which it can be done from underwater, the extent to which submarines have to surface in order to communicate, the procedures involved, the kinds of messages in their intercept activities theys hould look for, because those are the kinds of messages passing to and from submarines on patrol, this, I believe, would give the Soviets an incalculable edge and an extremely important edge in this constant cat-and-mouse game on which America's security, if not its survival, could easily hinge.

MACNEIL: Well, Mr. Ullman, wouldn't that be a very serious loss indeed, since, as has been pointed out, the deployment of these U.S. nuclear submarines is, if not the most, certainly one of the most important parts of the strategic defense system?

ULLMAN: I think that there are two aspects to the answer. The first is that, in a tactical or in an operational way, the loss can be significant. But that is very time-sensitive because operations change. I mean you're looking at somebody who has really been out of the operational game for four, five, six or seven years.

The second point I would make is that technologies change. And the nature of Soviet submarines have grown a great deal quieter over the years. And therefore the Soviets, because of this quietness, have been able to elude forms of American detection simply because their submarines are getting better and better.

So I think that, because of technology and a number of other things, the actual loss due to the Walkers has probably been somewhat exaggerated.

MACNEIL: Would the U.S. Navy and intelligence systems know, because of some change of behavior by the Soviets, how much they'd found out?

ULLMAN: Not necessarily. Go back to 1941, when Stalin had an alertment about Hitler's impending invasion of Russia and chose not to believe it. It seems to me that the Russians would have to act on that information. On some of it they may choose not to. And those pieces of information on which they did act, it might be very difficult to know.

And I repeat the point about changing technology. I mean American and Soviet systems have improved during the 10 or 15 years that the Walkers were actively engaged, if in fact they're proven guilty of this espionage. And it seems to me that as these capabilities change, then methods of employment change. I think that's a very important point to note.

CARVER: But it's a point easily exaggerated. The Japanese throughout World War II used the same basic systems of communication even long after they had learned that we had developed at least some facility and skill in reading their codes. And their persistence in using these systems of communications enabled us to win, among other things, the Battle of Midway and the naval war in the Pacific, without which we couldn't have won World War II.

Systems are a lot easier to change in theory and in discussion on a television program than they are in fact. And knowing how we communicated with deployed ballistic-missile submarines and long-range subsurface patrol even as long ago as 20 years would be of great value to the Soviets because they could plot our changes over time and learn how we effect those communications today, which I believe -- and Mr. Ullman and I are good friends and we differ on lots of things, and this is one of the things on which we differ fundamentally.

MACNEIL: Mr. Ullman, finally, Secretary Weinberger was reported today by the Pentagon to have ordered precautions to offset any advantage the Soviets might have gained. Doesn't that suggest that the Pentagon suspects, or at least fears, that there may have been some ongoing advantage they could have gained which necessitated some change of orders or procedures or something to offset it?

ULLMER: Not necessarily. And I think a point that needs to be made here is that when John Walker Sr. was in the most sensitive areas, which were in the command facilities of the Submarine Force Atlantic, he was really exposed more to tactical submarines, the SSNs, the attack submarines, rather than the ballistic-missile submarines. And I think that even though

Walker did serve in ballistic-missile submarines, the difference between the two has been so compartmentalized that I'm not sure that he had access to the operation of the ballistic-submarines.

CARVER: There again I have to disagree. In Atlantic Fleet Submarine Headquarters, he was a trick or watch chief, in charge of one of the three eight-hour watches in the communications center. And in that capacity, he would have been not only privy to all the information that came -- or messages that flowed back and forth, he would have had to have known about all the systems of communication, those with ballistic submarines as well as those with non-ballistic submarines and other kinds of patrol.

MACNEIL: Can we assume that you two well-informed gentlemen, disagreeing as you do, reflect a kind of debate that's probably going on inside the people who are actively in the CIA and the other intelligence services, trying to figure you how much damage was done, if it was done, right now? Is there a similar debate, do you suppose, going on there?

CARVER: I would think the chances are very high. You get three experts, you get at least five opinions, as you well know.

MACNEIL: Okay. Let's move on to the question of what can be done about it.

Among other issues, the Walker family spy charges have set off a storm of criticism about the sheer number of people who have access to classified information. Some 4.3 million are cleared to see some secret information. The clearances are divided into four basic categories. Three hundred thirty-three thousand people have access to confidential information. As many as 3 1/2 million are legally allowed to see information classified secret. Six hundred thousand have top secret clearances, and that figure includes a hundred thousand who, like John Walker, have code word classifications that allow them to see some of the most sensitive information.

Last year the government received 200,000 applications for security clearances. In 1974 there were half as many applications. And it's been estimated that the government eventually grants security clearances to 99 percent of the people who apply.

To get more on this clearance issue, back to our two guests.

Mr. Carver, there are many calls -- we saw two on film a moment ago by Senators Nunn and Roth -- for reducing the number

of people -- they suggested halving it -- who get some kind of security clearances. What do you think of that idea?

CARVER: While I think that Senator Nunn and Senator Roth are on the right track, I do think that you can curtail the number drastically, but you have to be prepared to cope with the fallout. Curtailing the number so that only those who actually need the information in the course of their duties get it, and many who have clearances as a sort of status symbol or because they are the superiors of those who have daily access with classified information don't.

But cutting it back requires a scalpel, not a meat ax. And if we cut it back too far, we will run the risk of exposing the very kind of information we want to protect.

This is a very complicated question, procedurally, administratively, and above all legally, and even constitutionally.

MACNEIL: Mr. Ullman, what do you think about cutting back the numbers of people with clearances?

ULLMAN: I think that that's probably very important. And I certainly agree with George in the respect that it needs to be done surgically rather than in a wholesale sense.

But the other part, it seems to me, is reducing or downgrading classified material so that it actually fits what its classification ought to be. We tend to overclassify. We classify virtually everything.

I think the other part of the problem is trying to tighten up our classification so when something is secret or top secret, it genuinely reflects that level.

MACNEIL: The categories I went through, the most sensitive information, a hundred thousand people. Is that the group of people, the code word classification -- you can see it there -- is that the group of people which would have been narrowed in order to restrict the number who had access to material that would be of real interest to an enemy of the Soviet Union?

CARVER: ...but you've got a functional problem. How much you could cut back on that particular number is a very moot point because many of those people could be performing a variety of different types of functions: in the field of overhead photography, in the field of submarine communication, in the field of strategic targeting, etcetera. And you might not be able to cut back too drastically without adversely affecting the capacity of the U.S. to perform those very functions.

MACNEIL: Well, what about the next-less-sensitive category, the three and a half million -- which seems like an extraordinary number to a layman -- who have access to top secret information? What about that classification? Is that where the biggest cut could come?

CARVER: I happen to think it is because I agree with Harland that lots of things are overclassified and that many things are classified top secret, even, which don't deserve or merit any such classification. What you have to do...

MACNEIL: Excuse me for interrupting. Is that the point you're making, Mr. Ullman, that if you cut back the amount of information, you wouldn't need so many people cleared to...

ULLMAN: That's probably correct. Yes.

MACNEIL: I see. That's the point you're making there.

I'm sorry, Mr. Carver. I interrupted you.

CARVER: What you're doing, Mr. MacNeil, is you're clearing your deck. You want to cut off the extraneously classified information and the people who don't really need the clearances so that you can concentrate on protecting that which really does need to be protected. But that in itself is a difficult job.

MACNEIL: Let's go to another point. Mr. Walker, who's now been charged, was not found by the security services of this country. He was found, apparently, his wife says, former wife, because she turned him in. Now, what can be done to people who legitimately have security classifications, and should have them, to insure that -- or to police their suitability for having them, if you know what I mean?

Mr. Ullman, do you have a...

ULLMAN: That's one of the most difficult questions. Generally, security investigations and reinvestigations are based on detecting aberrant or abnormal behavior. And therefore it would be in the best interest of a spy to behave normally. If he does that, then there's no reason to pick him up.

If one then institutes a whole series of tests, lie detector tests, so forth and so on, it seems to me then one runs the risk of imposing and infringing on constitutional rights.

For example, if I may be allowed analysis by anecdote, about four years ago there was a story in the Washington Post which reported that the Administration was underfunding its

defense plans. A lie detector test was administered to a number of senior officials. One of them proved positive, a former West Point graduate with two Silver Stars from Vietnam. And he was relieved from his duties. The next day the Washington Post correspondent reported in The Post that they got the wrong guy.

So if you overreact, you run a very, very real risk, it seems to me, of infringing on genuine rights and genuine need to know.

MACNEIL: Mr. Carver, how do you think you police the people who legitimately should have security clearance?

CARVER: With great difficulty, partly because of the problem that my friend Mr. Ullman just played. There is no -- you have a balance question, a very complicated balance question, between protecting that which the U.S. Government has to protect in order to be able to protect our nation and our citizens and the things on which our survival itself could hinge without doing undue infringement on people's civil rights and constitutional liberties.

Now I say undue advisedly, Mr. MacNeil. There is no way to do an effective counterintelligence job, to run an effective security investigation of the kind that's necessary to make a sensible judgment about issuing or withholding or withdrawing a clearance without being intrusive. You have to look into people's beliefs. You have to look into people's behavior. You have to look into their affairs, both literal and metaphorical, their financial activities, etcetera, etcetera. This requires a degree of intrusiveness that is unpalatable to the American ethos, and quite properly so. It also involves a mind-set which is even more unpalatable.

You can't be a good security officer assuming that everyone is innocent until you can prove him guilty. You have to start out with a presumption that he may well be guilty until you can satisfy yourself that he's provably innocent. And that's a very hard thing to do in a constitutional democracy.

MACNEIL: Well, gentlemen, thank you both for joining us.